# NOMINATIONS TO BE COMMISSIONERS OF THE U.S. POSTAL RATE COMMISSION AND NOMINATION TO BE A GOVERNOR OF THE U.S. POSTAL SERVICE

## HEARING

BEFORE THE

## COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

NOMINATIONS OF JOHN W. CRUTCHER AND HENRY R. FOLSOM TO BE COMMISSIONERS OF THE U.S. POSTAL RATE COMMISSION; AND JOHN R. McKEAN TO BE A GOVERNOR OF THE U.S. POSTAL SERVICE

MARCH 2, 1982

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# NOMINATIONS TO BE COMMISSIONERS OF THE U.S. POSTAL RATE COMMISSION AND NOMINATION TO BE A GOVEROR OF THE U.S. POSTAL SERVICE

TUESDAY, MARCH 2, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
*Washington, D.C.*

The committee met at 9:53 a.m., in room 3302, Dirksen Senate Office Building, Hon. William V. Roth, Jr. (chairman), presiding.
Present: Senator Roth.

## OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The committee will be in order.

This morning we are holding hearings to consider three postal nominations. As we all know, the Post Office is one of the most important segments of the Federal Government. Millions of Americans are influenced by its operations each day. The commerce and personal affairs of our citizens depend on the efficient and effective functioning of the Postal Service. It is therefore essential that those decisions affecting this vital public service are made by individuals who are particularly dedicated and able.

Under consideration for these important posts today are Henry Folsom and John Crutcher who have been nominated by the President to be Commissioners of the U.S. Postal Rate Commission, and John McKean who has been nominated to serve as a Governor on the Board of Governors of the U.S. Postal Service.

All three nominees have filed responses to a biographical and financial questionnaire and answered prehearing questions submitted by this committee. Without objection, this information will be made a part of the hearing record.[1]

We were going to first introduce my colleague and good friend, Henry Folsom, but Senator Dole is here now to introduce Mr. Crutcher and I know he has a hearing in the Finance Committee, so we will first welcome Bob Dole; we are glad you could be here this morning.

## TESTIMONY OF HON. ROBERT DOLE, U.S. SENATOR FROM THE STATE OF KANSAS

Senator DOLE. Thank you very much, Mr. Chairman. I apologize to Mr. Folsom.

[1] The financial information is retained in committee files and available for public inspection.

I would like to just take a minute to introduce a long-time friend, a very close personal friend, in fact one who was my aide for a time in my Senate office, John Crutcher, and his wife, Edie, who is also here this morning—she really is the most important part of that family. I have known John since I first became active in politics; he was active before I was. We happen to be nonpartisan; we are both Republicans. I know that he is qualified for the role that he has been nominated for, and it is certainly an honor for me to recommend him.

I think those of you who have had the opportunity to look at John's biography know that he has had a distinguished and varied career in both the private and public sectors, including a 9-year stint with the U.S. Navy during World War II and the Korean war. He is a former member of the Kansas State Senate and served from 1965 to 1969 as Lieutenant Governor of Kansas. He has also had extensive involvement at the Federal level, serving as Director of the OEC Division of State and local government and as the Director of the Bureau of Outdoor Recreation at the Department of the Interior. Somewhere along the line, John found time to be my administrative assistant, for which I will always be grateful.

He was born in a small town in Kansas and spent most of his life as a Kansas resident. I think as a result of that, he can bring to the Postal Rate Commission a unique perspective on the postal needs of rural America. The decisions and recommendations made by the Postal Rate Commission are perhaps more closely watched by rural residents than by any other segment of society. In rural areas, where people are widely disbursed and phone rates are high, the mail takes on an increasingly important role in the daily lives of inhabitants. Their concerns about 6-day mail service and continued operations of small post offices need representation on the Commission. That is not to say that we should ignore the overall needs of urban areas, but I just suggest that John will bring that unique perspective to the Commission.

I look forward to working with John and other members of the Commission. And I just suggest, Mr. Chairman, that you will find John Crutcher to be hard working, a man of total integrity and honesty.

I want to commend John, and also Edie, for their willingness to provide additional service to this country in this Government service that John is about to assume. So, I am pleased to have the opportunity to introduce my friend, John Crutcher. And if you have any questions, I will be happy to respond, otherwise, I will go back to the Senate Finance Committee.

Chairman ROTH. My only question is how soon will we finish in the Finance Committee?

Senator DOLE. We will probably be there for a while. If you would like to give me your proxy, I will be glad to——

Chairman ROTH. I will reserve judgment on that. Thank you.

We will now proceed with Henry Folsom. I regret that my fellow Delawarean, Congressman Evans, who, as you know, Henry, was planning to be here to introduce you this morning, is ill and cannot be with us. But I will insert his words of support in the record at this point.

[The statement follows:]

STATEMENT OF HON. THOMAS B. EVANS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF DELAWARE

Thank you Mr. Chairman. It is with a great deal of personal pleasure that I am able to endorse Henry R. Folsom's nomination as a Member of the Postal Rate Commission. Mr. Folsom has been a close personal friend of my family's for many years—going back to tne time that he and my father worked together for the duPont Company at its Seaford, Delaware, plant when I was a child growing up in that Sussex County community.

More importantly, however, I appreciate the opportunity to try and compress into a few paragraphs Mr. Folsom's distinguished career. It is a difficult task, for his career spans three separate disciplines: the business community, the academic world and public service.

That he excelled in all three areas of endeavor in itself indicates he is an especially well qualified nominee for a federal government position. That, after his long and distinguished career, he is once again willing to accept a position serving the public is indicative of his character and dedication.

Allow me to give you a brief resumé of Mr. Folsom's career. After graduating with a degree in Mechanical Engineering from the University of Delaware, he joined duPont deNemours and Company, and for 35 years held positions of responsibility in the areas of personnel, financing, supervision and technical management with that company.

During that same period of time Mr. Fo'som served for 19 years as an elected official in New Castle County, Delaware. He was, at various times, a Councilman and Deputy Mayor for the City of Newark; and a County Councilman, Council President and County Executive for New Castle County.

The last position, by the way, deserves some amplification. When Henry Folsom was serving as President of the New Castle County Council, the position of County Executive was vacated, and the responsibility for filling the post on an interim basis fell upon Mr. Folsom. It was a difficult time in the County's history, one which demanded two things: keen judgment and the ability to make tough decisions.

Mr. Folsom served for eight months with such distinction, fairness and integrity that he received bi-partisan praise and enjoyed the trust and support of the broad majority of the county's residents.

During his tenure in public office Mr. Folsom was a prime mover in the development of a comprehensive drainage code, water and sewer planning procedures, land use planning and regulation and a countywide library system. He remains deeply involved in efforts to achieve a comprehensive water p'an for the county.

Not content with these achievements, Mr. Folsom became an Associate Professor in Urban Affairs and Public Policy at the University of Delaware, and he currently serves on seven separate state and county commissions, councils and committee.

In summary, Henry R. Folsom has demonstrated two characteristics throughout his career—he is a man who we'comes responsibility and he does not retreat from having to make tough decisions. In my opinion, these character traits, combined with his demonstrated management ability and the diversity of his interests, recommend him most highly for a position on the Postal Rate Commission.

Thank you very much.

Chairman ROTH. I would like to say as background that Henry Folsom is an individual with an outstanding record both in government and outside of government. He was an engineer with the Du Pont Co., which certainly is at least one of the greatest engineering groups in America; he has been involved in government in many different levels. He served on the council of the city of Newark, Del., where the University of Delaware is located, and also on the council of New Castle County. For many years he served as president of the New Castle County Council, which is the largest county in Delaware.

Henry, I could go on and on about all your involvement in State and local government.

He has also been a professor at the University of Delaware in the Department of Urban Affairs and Public Policy.

So, we are delighted that you are willing to serve in this significant role.

Mr. Folsom, and as a matter of fact, Mr. Crutcher, we will consider both at the same time. Our committee rules require that all witnesses at nomination hearings must give their testimony under oath.

So, would you both please stand and raise your right hand.

Do you solemnly swear to tell the truth, the whole truth and nothing but the truth, so help you God?

## TESTIMONY OF HENRY R. FOLSOM AND JOHN W. CRUTCHER, TO BE COMMISSIONERS OF THE U.S. POSTAL RATE COMMISSION

Mr. FOLSOM. I do.

Mr. CRUTCHER. I do.

Chairman ROTH. Please be seated.

Mr. Folsom and Mr. Crutcher, as I indicated earlier, members of the committee have already asked some substantive prehearing questions and both of your responses to these have been placed in the record, so I will not repeat those, but I do have a few additional questions.

I will proceed with Mr. Folsom first and then we will go to you, Mr. Crutcher.

Henry, is there anything you are aware of in your background which might present a conflict of interest with the duties of your office?

Mr. FOLSOM. Not at all, Mr. Chairman. None.

Chairman ROTH. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of a Commissioner of the Postal Rate Commission?

Mr. FOLSOM. No, sir.

Chairman ROTH. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. FOLSOM. I do.

Chairman ROTH. What do you think is the most important issue facing the Postal Rate Commission and why?

Mr. FOLSOM. Actually, with very limited background experience with the Postal Rate Commission, it seems to me that perhaps one of the prime problems is to come to an understanding on what constitutes the base cost of the different classes of mail and to move from that point to diagnose and set fair, equitable rates, classifications—fair and equitable to the Postal Service, to the users, and to the public in general.

Chairman ROTH. Mr. Crutcher, are you aware of anything in your background which might present a conflict of interest with the duties of your office?

Mr. CRUTCHER. Nothing.

Chairman ROTH. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of a Commissioner of the Postal Rate Commission?

Mr. CRUTCHER. No.

Chairman ROTH. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. CRUTCHER. Yes.

Chairman ROTH. What do you think the role of Congress should be in decisions involving whether postal rates and the service should be increased?

Mr. CRUTCHER. I think it would be rather presumptive of me to advise the Congress on what their role should be in the matter, particularly as I have not been on the Commission and have not had an opportunity, really, to explore fully the relationship between the Congress and the Postal Rate Commission.

Chairman ROTH. Gentlemen, I appreciate your appearing here. Those are all the questions I have. I think we are fortunate to have two outstanding individuals like the two of you to serve as Commissioners of the PRC. Thank you very much.

[The biographies and responses to prehearing and posthearing questions of Mr. Folsom and Mr. Crutcher follow:]

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION OF HENRY R. FOLSOM

*Question 1.* Name: (Include any former names used.)
Answer. Henry Richard Folsom.
*Question 2.* Address: List current residence address and mailing address.
Answer. RD–3, Box 250, B1E, Hockessin, Delaware 19707.
*Question 3.* Date and Place of Birth.
Answer. July 19. 1913; Wilmington, Delaware.
*Question 4.* Marital Status: (Include maiden name of wife or husband's name.)
Answer. Married to former Grace Broadway.
*Question 5.* Names and ages of children.
Answer. None.
*Question 6.* Education: List institution(s), dates attended, degree received and date degree granted.
Answer. University of Delaware, 1931–1936. BS in Mechanical Engineering, 1936.
*Question 7.* Employment record: List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.
Answer. May 1981 to December 1981: Consultant, Water Resources Agency of New Castle County, 2701 Capitol Trail, Newark. Delaware 19711; September 1979 to September 1981: Adjunct Professor, University of Delaware Urban Affairs and Public Policy, Newark, Delaware 19711; January 1973 to December 1980: County Executive/County Council President, New Castle County, 800 French Street, Wilmington, Delaware 19801; July 1938 to August 1973: Engineer, Du Pont Company, Wilmington, Delaware 19898; July 1936 to July 1938: Various jobs during the Great Depression including self employment in contracting; Budd Company, Philadelphia; construction quartermaster, Corps of Engineers; Delaware City and other jobs of short duration.
*Question 8.* Government experience: List any experience in, or association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.
Answer. Councilman, City of Newark, Delaware; Councilman, New Castle County, Delaware; President of Council, New Castle County, Delaware; County Executive, New Castle County, Delaware; Consultant, Water Resources Agency of New Castle County; Tax Ditch Commissioner of New Castle County; White Clay Creek Study Steering Committee, Chairman; White House Conference on Libraries and Information Services, State chairman; Governor's Salary and Compensation Commission, member; Delaware Tomorrow Committee, member; Intergovernmental Task Force (Delaware) member, executive committee.
*Question 9.* Business Relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant if any corporation, company, firm, partnership, or other business enterprise, educational, or other institution.

Answer. Henry Folsom, Inc., President; Greater Delaware Corporation (insurance), Director.

*Question 10.* Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable and other organizations.

Answer. Water Resources Agency of Delaware River Basin, Director; Sassafras River Community Council, President; Upper Shore Environmental League, Director; Coffee Run Condominium Council, President; Beechwood Glenn Civic Association, President and Director; Seaford Lions Club, President; Registered Professional Engineer No. 125, State of Delaware.

*Question 11.* Political affiliations and activities: List all offices with a political party or any political party or any public office for which you have been a candidate. List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 10 years.

Answer. I have been a lifelong Republican, a city or county elected official for 19 years but have held no party office. I have been a consistent contributor to the Republican National Committee, the Republican Party of Delaware and various national and state (Delaware) and local Republican candidates, not the least of which was to my own campaigns.

*Question 12.* Honors and Awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievements.

Answer. University of Delaware, merit award; Committee of 39, Good Government Award; Committee of 100, Recognition Award; Delaware Association of Public Administrators, outstanding administrator.

*Question 13.* Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Answer. None.

*Question 14.* Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have written copies of and which are on topics relevant to the position for which you have been nominated.

Answer. None delivered relevant to position.

*Question 15.* Selection: (a) Do you know why you were chosen for this nomination by the President? (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

Answer. (a) I believe I was chosen for this nomination on the recommendation of Representative Thomas B. Evans, Jr., and the endorsements of Senator William Roth and the Republican Party leaders of Delaware; (b) Many years as a local government elected official, representing the public; Setting rates for local services such as sanitary sewer, water, solid waste collection and disposal, electric power; Thirty-five years with Du Pont Company as a practicing engineer responsible for both technical and financial functions; A teaching associate with the Urban Affairs & Public Policy Department of the University of Delaware.

### B. FINANCIAL DATA

(Retained in Committee files.)

### C. FUTURE EMPLOYMENT RELATIONSHIPS

*Question 1.* Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

Answer. Yes.

*Question 2.* Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

Answer. No.

*Question 3.* Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

Answer. No.

*Question 4.* Has anybody made a commitment to employ your services in any capacity after you leave government service?

Answer. No.

*Question 5.* If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

Answer. Yes.

D. POTENTIAL CONFLICTS OF INTEREST

*Question 1.* Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.

Answer. None.

*Question 2.* Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Answer. None.

*Question 3.* Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

Answer. None.

*Question 4.* Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

Answer. None; except in my official capacity as an elected official.

*Question 5.* Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

Answer. I will divest of any holding and desist in any activities judged or considered in real or apparent conflict of interest.

*Question 6.* Do you agree to have written opinions provided to the Committee by the General Counsel of the agency to which you are nominated and by the Attorney General's office concerning potential conflicts of interest or any other legal barriers to your serving in this positon?

Answer. Yes.

E. LEGAL MATTERS

*Question 1.* Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

Answer. No.

*Question 2.* Have you ever been investigated, arrested, or charged or held by any Federal, State or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

Answer. No.

*Question 3.* Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Answer. No.

*Question 4.* Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense?

Answer. No.

*Question 5.* Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

Answer. None.

AFFIDAVIT

I, Henry R. Folsom, do swear that the information provided in this statement is, to the best of my knowledge, true and accurate.

February 2, 1982.

HENRY R. FOLSOM,

_____, *Notary.*

## Responses to Prehearing Questions by Henry R. Folsom

### I. Nomination Process and Potential Conflicts

*Question 1.* Were any conditions, expressed or implied, attached to your nomination to be a Commissioner of the Postal Rate Commission?

Answer. No.

*Question 2.* Have you made any specific commitments with respect to the basic policies and philosophy which you will follow while a Commissioner of the Postal Rate Commission? If so, please describe these commitments.

Answer. No.

*Question 3.* To your knowledge, did persons representing interests subject to Postal Rate Commission regulation actively support or endorse your appointment? If so, please provide details of those activities.

Answer. No.

*Question 4.* Is there any issue currently under consideration by the Postal Rate Commission, or any which may come under consideration, from which you may have to disqualify yourself? If so, please explain.

Answer. No.

*Question 5.* Do you have any interest in any corporation, partnership, association or other entity which is a significant user of the mails or whose interest may be affected significantly by the levels of postage rates or degree of postal service?

Answer. No.

*Question 6.* Since your nomination, how have you been preparing yourself for a position as a Commissioner of the Postal Rate Commission?

Answer. By reading the Federal law covering the Postal Rate Commission and the Postal Service, reports of the Commission, and talking with persons associated with the Commission.

### II. Role and Responsibilities of the Position to Which Nominated

*Question 1.* What do you believe are the most important responsibilities of the position to which you are nominated and what challenges do you expect to face?

Answer. The most important responsibilities will be to discharge those responsibilities mandated by the Congress and to insure, to the extent I am able to do so, that Commission decisions are fair and equitable to the public interest, mail users, and the Postal Service itself and are rendered as expeditiously as possible.

*Question 2.* What contributions do you feel that you can make to the Postal Service as a Commissioner of the Postal Rate Commission?

Answer. I can bring a wealth of experience in industry and in local government and an ability to cooperate and work with other agencies where success is dependent on intellectual persuasion in lieu of granted authority.

*Question 3.* What organizational changes, if any, do you believe should be implemented by the Postal Rate Commission?

Answer. None without a more detailed knowledge of the operation.

*Question 4.* What improvements do you believe can be made in the operation of the Postal Rate Commission?

Answer. None at this time with a limited knowledge of the operation.

*Question 5.* Do you see any way that the Postal Rate Commission could make decisions on policy matters in a more expeditious manner?

Answer. Not at this time but this will be an area I want to explore.

### III. Role of the Postal Rate Commission

*Question 1.* The Postal Rate Commission is an independent agency. What do you see as the proper relationship between such an agency and the President and the Congress?

Answer. The President and the Congress set the postal policy and the Postal Rate Commission is provided the technical support and expertise to execute that policy. The Postal Rate Commission should apprise the President and the Congress of results and make recommendations for policy modifications.

*Question 2.* How do you envision the rule and functions of the Postal Rate Commission, its responsibilities to the public, and its relationship to the Postal Service?

Answer. The Postal Rate Commission holds hearings and makes recommendations on rate and classification changes; reviews post office closings; and

investigates complaints. It represents the public and all users of the service while judging Postal Service requests for changes in a fair and objective manner searching for equity for all.

*Question 3.* Do you believe that the Postal Rate Commission should be funded directly through congressional appropriation? If so, why? To what extent do you believe the current method of funding impairs the independence of the Postal Rate Commission?

Answer. No. My impression is that the present funding method hasn't impaired the independence of the Commission.

*Question 4.* Do you believe that the Postal Rate Commission should have final decision-making authority over rates and mail classification matters? What effect would such authority have on the Postal Rate Commission and the Board of Governors of the Postal Service?

Answer. I don't believe so but at this time I'm not sure.

*Question 5.* What shortcomings do you see either in the law establishing the Postal Rate Commission or in the record of the Commission? How do you expect to address these problems?

Answer. The hearing and rehearings on the recent rate increases seemed unduly legalistic and time demanding. However, I do not have sufficient knowledge at this time, of the Postal Rate Commission operation to suggest change.

*Question 6.* How do you believe the public interest in maintaining current Postal Service levels should be balanced with the costs of continuing these services?

Answer. It is extremely difficult to maintain or improve service levels in times of escalating costs without raising the price of the service. Before raising the price, methods of reducing costs through improving productivity must be explored along with modifications of service. Realistically, costs will go up in spite of efforts to keep them down. Every effort must be made to minimize the increase.

*Question 7.* How do you view the relationship of the Postal Rate Commission to the Board of Governors?

Answer. Somewhat as a public service commission to a utility board of directors but with the right to recommend change. Both are serving the public at large and must keep this as a common objective.

*Question 8.* Do you see the Postal Rate Commission as primarily a regulatory body or as an advisory body?

Answer. A regulatory body.

*Question 9.* Should the Postal Rate Commission have any part in management issues of the Postal Service?

Answer. No, unless its role is legally changed.

### IV. POSTAL SERVICE OPERATIONS

*Question 1.* Do you question the need for any service currently provided by the Postal Service? If so, please explain.

Answer. I question the need for 6-day delivery service, but have insufficient data of the impact of such a change to advocate it.

*Question 2.* Do you believe that the goal of the self-sustaining Postal Service is realistic? Please explain.

Answer. Yes, however, public policy may require public subsidy of certain services. In such cases the cost of the subsidy should be segregated and the policy makers apprised of the costs.

*Question 3.* Do you believe that Congress should have an increased role in decisions involving postal rates and services?

Answer. No.

*Question 4.* If substantial reductions in the appropriation to the Postal Service are approved, where would you look to achieve savings in postal operations? Do you favor proposals to reduce the number of days of mail delivery to five?

Answer. Should there be a substantial reduction in Postal Service appropriations I would expect the Congress to concurrently restate the postal policy spelled out in the Postal Reorganization Act of 1970 in order to give direction to where service changes should be made. I question if 6-day delivery service is something demanded by the public or whether 5-day delivery in lieu of a rate increase would be more desirable. However, lacking sufficient data I cannot advocate either position.

V. POSTAL REORGANIZATION

*Question 1.* How do you view the Postal Reorganization Act today?

Answer. I believe that the concept is sound but the act appears overly specific and detailed—in other words, the roles are too inflexible.

*Question 2.* What do you see as the strengths and weaknesses of the Postal Service as opposed to the old Post Office Department?

Answer. The Postal Service encourages professional business management in a time of increasing technical sophistication. I do not know of any weaknesses vis-a-vis the old Post Office Department.

*Question 3.* The Postal Rate Commission is a unique regulatory agency in that it does not have final decision-making responsibility with respect to most matters brought before it. This rests with the Board of Governors of the Postal Service. Do you believe that this arrangement should be maintained. If so, why?

Answer. As I said in III–4 above, I believe so but at this time I'm not sure.

*Question 4.* If Congress were to reexamine the role and responsibilities of the Postal Rate Commission, what changes would you recommend?

Answer. None, because of my lack of first hand knowledge of and experience in the operation.

VI. RELATIONS WITH CONGRESS

*Question 1.* Do you agree without reservation to appear and testify before any duly authorized committee of the Congress?

Answer. Yes.

*Question 2.* What do you believe is the appropriate role of Congress in reviewing major changes in the service proposed by the Postal Service?

Answer. Congress should set and enunciate broad policy where, in its opinion, change should or should not be made.

*Question 3.* What suggestions do you have for strengthening the relationship of the Postal Rate Commission to the Congress, or do you believe that is not necessary?

Answer. I believe that a strong relationship should exist but I am not sufficiently experienced with either the Congress or the Postal Rate Commission, at this time, to suggest ways of strengthening the present relationship or knowing whether it needs strengthening.

RESPONSES OF HENRY R. FOLSOM TO POSTHEARING QUESTIONS BY SENATOR STEVENS

*Question 1.* The GAO in fall of last year issued a report on the causes of delays in the postal rate making procedure. Have you seen this report? Do you have any comments?

Answer. I have seen the report. It seemed objective and comprehensive.

*Question 2.* Would you object to having the Postal Rate Commission exempted from the requirement of following the Administrative Procedure Act and be allowed to establish its own rules such as the ICC in order to establish postal rates?

Answer. I would like to see the issue raised in the GAO report resolved before totally exempting the Postal Rate Commission from following the Administrative Procedure Act. I am not familiar with how ICC operates but if the PRC is exempted from the Administrative Procedure Act, there needs to be provisions for requiring true, factual and timely responses from all parties.

*Question 3.* The Postal Service recently established E–COM. Without getting into the specifics of the particular case what are your thoughts regarding the concept of the Postal Service becoming involved in electronic mail?

Answer. I agree with the Commission which unanimously agreed with the concept.

*Question 4.* During the recent debate over S. 898, the Telecommunication Act of 1981, Congress left the actual setting of rates for electronic mail to the Postal Rate Commission rather than the FCC. Would you care to comment on that action?

Answer. The action of Congress seems appropriate but I must confess to limited background knowledge.

*Question 5.* Do you believe that it is possible for the United States Postal Service to operate without any federal subsidy?

Answer. Yes, but only with a change in public policy the feasibility of which Congress should determine.

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION OF JOHN W. CRUTCHER

*Question 1.* Name: (Include any former names used.)
Answer. John W. Crutcher.
*Question 2.* Address: List current residence address and mailing address.
Answer. 5812 Colfax Avenue, Alexandria, Virginia 22311.
*Question 3.* Date and place of birth.
Answer. December 19, 1916, Ensign, Kansas.
*Question 4.* Marital Status: (Include maiden name of wife.)
Answer. Married, Edith Colvard Crutcher.
*Question 5.* Names and ages of children.
Answer. No children.
*Question 6.* Education: List institution(s), dates attended, degree received and date degree granted.
Answer. University of Kansas, 1939–1941, Bachelor of Science.
*Question 7.* Employment record. List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.
Answer. A. Self-employed, Managing Investments, Alexandria, Va., July 1979 to present.
B. Government liaison officer, National Transportation Policy Commission, Washington, D.C., March 1977 to July 1979.
C. Director, Bureau of Outdoor Recreation, Department of the Interior, Washington, D.C., November 1975 to March 1977.
D. Administrative assistant, Senator Bob Dole, Washington, D.C., April 1974 to November 1975.
E. Director, Division of State and Local Government, Office of Equal Opportunity, Washington, D.C., December 1969 to April 1974.
F. President, Hutchinson Investment Co., Hutchinson, Kans., June 1955 to December 1969.
G. Self-employed, real estate broker, Hutchinson, Kans., June 1952 to June 1955.
H. Navy officer, U.S. Navy, various stations, May 1942 to June 1952.
I. Personnel officer, Johns-Manville Corp., Parsons, Kans., October 1941 to May 1942.
J. Efficiency engineer, Allis Chalmers Co., LaPorte, Ill., March 1941 to October 1941.
K. Teacher, Elementary School District 43, Rice County, Kans., September 1936 to April 1939.
*Question 8.* Government Experience: List any experience in, or association with Federal, state or local governments, including any advisory, consultative, honorary or other part-time service or positions.
Answer. Federal Government experience: None except for the employment indicated in No. 7 above, items B, C, D, and E; State government experience: Kansas State Senator, January 1953 to January 1957; Kansas Lieutenant Governor, January 1965 to January 1969; local government experience, Hutchinson, Kans., Library Board, 1960–1964.
*Question 9.* Business Relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership or other business enterprise, educational, or other institution.
Answer. Same as indicated in No. 7 above.
*Question 10.* Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable and other organizations.
Answer. Lecturer for associated clubs: Four years varsity debate in college plus wide career and travel experiences led naturally to many years service (part-time) with the associated clubs (executive clubs—knife and fork clubs); traveled behind the Iron Curtain countries twelve times, both as a private citizen and as a representative of the United States Government. Participated in a marathon three-hour interview with Nikita Khrushchev, and a two-hour interview with Anastas Mikoyan in the Russian Kremlin. Also interviewed the Prime Ministers of Romania and Czechoslovakia and top officials in Poland, Bulgaria, Hungary and Yugoslavia. In 1973, crossed Russia on the trans-Siberian railroad and inter-

viewed Mr. Kravchenko, Chairman of the Siberian Council of Ministers, in Irkutsk.

*Business:* Successful real estate and insurance broker in home town of Hutchinson, Kansas (1955–1970), president of Hutchinson Investment Company—a corporation dealing in real estate loans, insurance, residential home construction and real estate brokerage. President for ten year period of Countryside West, Inc., a partially-owned small corporation dealing in raw land development. Both corporations were successful business ventures.

*Organizations—clubs—civic associations:* Past president, Federal Inter-Agency Intergovernmental Relations Executives; member, American Society for Public Administration, Executive Committee, National Conference of Lieutenant Governors; vice-chairman, Midwest Council of State Government; Board of Governors, National Councils of State Government; member, International Platform Speakers Association; past president, Red Cross; past president and national director, Junior Chamber of Commerce; past president, Gridiron Club; past president, Board of Realtors and other organizations; honorary life member, Kansas PTA, for Special Service to Cause of Education; Board of Governors, Kansas Heart Association; Board of Governors, Kansas Cancer Society; Board of Governors, American Royal (Kansas City, Midwest Livetock Show); president, Hutchinson Library Board; past president, Navy League of Kansas; past president, Navy Reserve Association, Kansas; past national director, Navy League; 30-year career in Navy Reserve; member, Knights of Malta; active member, Methodist Church—past member Official Board.

*Question 11.* Political affiliations and activities: List all offices with a political party or any public office for which you have been a candidate. List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last ten years.

Answer. Lieutenant Governor, Kansas, 1965–1969; State Senator, Kansas, 1953–1957; Republican nominee for U.S. Congress, 1956; Republican candidate for Kansas House of Representatives, 1946; served with fund raising groups for U.S. Senator Bob Dole and as office manager of his campaign for U.S. President (1979–1980) and as an office assistant to Mrs. Elizabeth Dole in the Reagan for President campaign in 1980.

*Question 12.* Honors and Awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievements.

Answer. Distinguished Service Medal, Kansas Heart Association; Distinguished Service Award, U.S. Jaycees; Good Government Award, Kioma; Who's Who in America; Who's Who in the Midwest; Who's Who in American Politics; Who's Who in the Methodist Church; Who's Who in the Western World; a long list of State and local awards, certificates, plaques, Navy medals, etc.

*Question 13.* Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Answer. Attached copy of article in Washington Star, June 2, 1978, titled "Demagoguery and Bureaucrats"; no books or articles on postal matters.

*Question 14.* Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last five years which you have written copies of and which are on topics relevant to the position for which you have been nominated.

Answer. No speeches made on matters relevant to Postal Service.

*Question 15.* Selection: (a) Do you know why you were chosen for this nomination by the President? (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

Answer (a) I was chosen at least in part because of my broad background in business, industry and governmental service; (b) everything in (a) above.

### B. FINANCIAL DATA

(Retained in Committee files.)

### C. FUTURE EMPLOYMENT RELATIONSHIPS

*Question 1.* Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

**Answer. None.**

*Question 2.* Do you have any plans, commitments or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

Answer. None.

*Question 3.* Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

Answer. None.

*Question 4.* Has anybody made a commitment to employ your services in any capacity after you leave government service?

Answer. None.

*Question 5.* If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

Answer. Yes.

D. POTENTIAL CONFLICTS OF INTEREST

*Question 1.* Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.

Answer. None.

*Question 2.* Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Answer. None.

*Question 3.* Describe any business relationship, dealing or financial transaction which you have had during the last ten years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

Answer. None.

*Question 4.* Describe any activity during the past ten years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

Answer. Only those matters routinely associated with the positions I held in the Federal Executive Department and as administrative assistant to U.S. Senator Bob Dole, none of which are related directly to the U.S. Postal Service.

*Question 5.* Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

Answer. I have no potential conflicts of interest.

*Question 6.* Do you agree to have written opinions provided to the Committee by the General Counsel of the agency to which you are nominated and by the Attorney General's Office concerning potential conflicts of interest or any other legal barriers to your serving in this position?

Answer. Same as 5 above.

E. LEGAL MATTERS

*Question 1.* Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

Answer. No.

*Question 2.* Have you ever been investigated, arrested, or charged or held by any federal, state or other law enforcement authority for violation of any federal, state, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

Answer. No.

*Question 3.* Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Answer. No.

*Question 4.* Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense?

Answer. No.

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*Question 5.* Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

Answer. None.

AFFIDAVIT

I, John W. Crutcher, do swear that the information provided in this statement is, to the best of my knowledge, true and accurate.

January 27, 1982.

JOHN W. CRUTCHER,
SANDRA G. CRIST,
*Notary.*

RESPONSES TO PREHEARING QUESTIONS BY JOHN W. CRUTCHER

I. NOMINATION PROCESS AND POTENTIAL CONFLICTS

*Question 1.* Were any conditions expressed or implied, attached to your nomination to be a Commissioner of the Postal Rate Commission?

Answer. None.

*Question 2.* Have you made any specific commitments with respect to the basic policies and philosophy which you will follow while a Commissioner of the Postal Rate Commission? If so, please describe these commitments.

Answer. None.

*Question 3.* To your knowledge, did persons representing interests subject to Postal Rate Commission regulation actively support or endorse your appointment? If so, please provide details of those activities.

Answer. None.

*Question 4.* Is there any issue currently under consideration by the Postal Rate Commission, or any which may come under consideration, from which you may have to disqualify yourself? If so, please explain.

Answer. None.

*Question 5.* Do you have any interest in any corporation, partnership, association or other entity which is a significant user of the mails or whose interest may be affected significantly by the levels of postage rates or degree of postal service?

Answer. None.

*Question 6.* Since your nomination, how have you been preparing yourself for a position as a Commissioner of the Postal Rate Commission?

Answer. Since my nomination I have been doing a lot of background reading of materials supplied principally by congressional staff and Postal Rate Commission staff. I have also attended three days of hearings by subcommittees of the House Committee on Post Office and Civil Service.

II. ROLE AND RESPONSIBILITIES OF THE POSITION TO WHICH NOMINATED

*Question 1.* What do you believe are the most important responsibilities of the position to which you are nominated and what challenges do you expect to face?

Answer. I believe my most important responsibility is to follow the letter and intent of the statutes pertaining to my responsibilities as a Postal Rate Commissioner; technological changes in the area of communications are occurring with such rapidity that it is challenging to determine how the public interest might be best served in application of such changes to the Postal Service with appropriate charges to the public; it will always be challenging to deliver the quickest possible response to work put before the Postal Rate Commission.

*Question 2.* What contributions do you feel that you can make to the Postal Service as a Commissioner of the Postal Rate Commission?

Answer. I believe the most important contribution I can make to the Postal Service is to deliver fair and equitable responses to their filings in the least possible time.

*Question 3.* What organizational changes, if any, do you believe should be implemented by the Postal Rate Commission?

Answer. I am not sufficiently informed about the structure of the Postal Rate Commission to make recommendations for organizational changes at this time.

*Question 4.* What improvements do you believe can be made in the operation of the Postal Rate Commission?

Answer. Although I haven't had an opportunity to inspect the Postal Rate Commission operation in depth, I am inclined to believe it might be persuaded to respond to its workload more quickly.

*Question 5.* Do you see any way that the Postal Rate Commission could make decisions on policy matters in a more expeditious manner?

Answer. I don't have specific recommendations at this time to expedite Postal Rate Commission decisions but long years of experience in dealing with segments of local, State and Federal bureaucracies lead me to believe improvements surely can be made.

### III. ROLE OF THE POSTAL RATE COMMISSION

*Question 1.* The Postal Rate Commission is an independent agency. What do you see as the proper relationship between such an agency and the President and the Congress?

Answer. I don't view the Postal Rate Commission as primarily a policymaking body, whereas the President and Congress, acting together, clearly are. There are a great many areas where Congress did not delegate authority to the Postal Rate Commission, because the issues were of the kind that the political branches of the Government are best equipped to settle. The continuance of the monopoly on letter mail is one example, and appropriations to subsidize some postal operations is another. On the other hand, the Postal Rate Commission as a highly specialized body is better fitted to determine technical questions of rates and classifications. It allows us, because of its specialized nature, to have the benefit of decisions using thorough analysis of a great deal of cost and other data, with a fully public record a the basis of decision. It follows from that, I think, that the Commission, within its somewhat limited sphere, should function as a fully independent expert body and act in a quasi-judicial, rather than a policy-oriented, manner.

*Question 2.* How do you envision the role and functions of the Postal Rate Commission, its responsibilities to the public, and its relationship to the Postal Service?

Answer. The Commission's first role, and its biggest responsibility to the public, should be to make fair and objective decisions after affording all the parties interested an opportunity for hearing which meets the requirements of the act. Second, the Commission should carry out this obligation as efficiently and with as moderate a cost to the participants as it can. So far as its relationship to the Postal Service in particular is concerned, the fundamental fact is that the Postal Service is a party in Postal Rate Commission cases, like any other. The relationship should not be adversarial, because the Postal Rate Commission is a decision-making body, not an advocate.

*Question 3.* Do you believe that the Postal Rate Commission should be funded directly through congressional appropriation? If so, why? To what extent do you believe the current method of funding impairs the independence of the Postal Rate Commission?

Answer. No. The Postal Rate Commission has exhibited a great degree of independence, not withstanding its budget arrangement with the Postal Service. I have heard no opinion and have no evidence that leads me to believe the Postal Service has ever attempted to use its budget authority to limit the independence of the Postal Rate Commission in any manner.

*Question 4.* Do you believe that the Postal Rate Commission should have final decisionmaking authority over rates and mail classification matters? What effect would such authority have on the Postal Rate Commission and the Board of Governors of the Postal Service?

Answer. No. The Congress has given the Postal Service Board of Governors a very broad chapter to make vital decisions on labor and capital expenditure costs. Given that charter I believe they should "by unanimous consent" have final responsibility for rates.

*Question 5.* What shortcomings do you see either in the law establishing the Postal Rate Commission or in the record of the Commission? How do you expect to address these problems?

Answer. I intend to examine the relevant history further, but observation of the recent rate decision leaves me with the impression that the process of review and resubmission of decisions, as between the Commission and the Governors, is unduly complicated and time-consuming. The case came before each body three times. I understand that Acting Chair Steiger has made a suggestion as to how this process could be simplified, without simply eliminating the Governors from the process, and I think ideas along those lines have promise. It is also probably true that some mail classification cases, where there is perhaps only a single, rather simple, issue involved, do not need a full hearing with extensive cross-examination of witnesses in order to arrive at a fair decision. As I understand it, the law currently requires either that there be such a full hearing, or that all

the parties agree to waive it. The Postal Rate Commission should have more flexibility in this respect, as other regulatory agencies do. So far as the purposes of the law establishing the Commission are concerned, I believe they are eminently worthwhile and should be continued. It is in the execution of these purposes that the statute may be unduly cumbersome.

*Question 6.* How do you believe the public interest in maintaining current postal levels should be balanced with the costs of continuing these services?

Answer. I have not studied the "public interest" matter in sufficient depth to have an informed opinion on how this question should be answered.

*Question 7.*—How do you view the relationship of the Postal Rate Commission to the Board of Governors?

Answer. As stated above, the Postal Rate Commission is a decisional body and not an advocate, and so I believe that the relationship—insofar as it concerns Commission cases—should obey the proprieties of judicial or quasi-judicial practice. While the Governors are separate from the Postal Service in many respects, they do authorize and guide the filing of requests by the service. As a Commissioner, I would expect to observe the same rules, more or less, that a judge would observe toward parties in his cases. On a more general level, I see no reason why the two institutions should come into conflict. The Governors have very important responsibilities for operating and supervising the Postal Service, which the Commission should not try to assume. Of course, management decisions have consequences, as every board of directors know, and sometimes these will become relevant in Commission proceedings. That does not mean that the Commission should intervene in the management decisions. By the same token the integrity of the Commission's processes should be respected by management (including the Governors) just as a court's would be.

*Question 8.* Do you see the Postal Rate Commission as primarily a regulatory body or as an advisory body.

Answer. I view the Postal Rate Commission as primarily a regulatory body.

*Question 9.* Should the Postal Rate Commission have any part in management issues of the Postal Service?

Answer. I have no reason to believe the public would be better served by giving the Postal Rate Commission greater authority to take part in Postal Service management issues.

### IV. POSTAL SERVICE OPERATIONS

*Question 1.* Do you question the need for any service currently provided by the Postal Service? If so, please explain.

Answer. None.

*Question 2.* Do you believe that the goal of the self-sustaining Postal Service is realistic? Please explain.

Answer. I think it quite realistic to expect the Postal Service to be self-sustaining. The Congress has mandated that "each class of mail or type of mail service bear the direct and indirect costs attributable to that class or type," a goal I think attainable.

*Question 3.* Do you believe that Congress should have an increased role in decisions involving postal rates and services?

Answer. I think it vital that Congress be informed in depth and on a continuing basis about how the Postal Service and the Postal Rate Commission carry out their mandate of public service but I doubt the wisdom of congressional involvement in the mundane administrative routine of the Postal Service on a day to day basis.

*Question 4.* If substantial reductions in the appropriation to the Postal Service are approved, where would you look to achieve savings in postal operations? Do you favor proposals to reduce the number of days of mail delivery to five?

Answer. To attain "substantial reductions" in the Postal Service labor costs, 85 percent of the Postal Service expenditures are for labor. I am not sufficiently informed of the impact of 5 day service on the public to render an informed opinion on that subject.

### V. POSTAL REORGANIZATION

*Question 1.* How do you view the Postal Reorganization Act today?

Answer. As long as today's basic organization of the postal system is retained the present act seems capable of providing a solid framework for it. There can always be improvements in detail, such as simplifying the relationship between the Commission and the Governors and perhaps according the Commission

more flexibility in its procedures; but in general the current statute has the potential for working well.

*Question 2.* What do you see as the strengths and weaknesses of the Postal Service as opposed to the old Post Office Department?

Answer. The strength of the Postal Service is that it is operated under good business-type management techniques. During the ten years following reorganization while mail volume was increasing the total labor force was decreasing because of higher productivity, a direct result, I believe, of managers making business based decisions. A second improvement seems to me to be the conversion of postal rate setting into an analytical process carried out on the record by the Postal Rate Commission. Generally, I can see no weakness in the Postal Service, by comparison to the old Post Office Department, other than it could be slower to respond to the needs of the people since the President does not appoint and the Senate confirm its senior managers as in former time.

*Question 3.* The Postal Rate Commission is a unique regulatory agency in that it does not have final decision-making responsibility with respect to most matters brought before it. This rests with the Board of Governors of the Postal Service. Do you believe that this arrangement should be maintained. If so, why?

Answer. Yes. The full authority to decide on capital investment and render final approval of negotiated labor contracts lies with the Governor or through delegation to their selected chief executive officer, the Postmaster General. It is their responsibility to assure the continuance of a viable and responsive Postal Service and with the responsibility should go the authority to modify any rates recommended by the Postal Rate Commission that the Governors, with good reason, believe would be crippling. I feel strongly that an independent expert body, the Commission, should conduct public hearings and recommend rates based on the record but that the Governors should have the ultimate final decision-making authority acting with unanimity and subject to judicial review.

*Question 4.* If Congress were to reexamine the role and responsibilities of the Postal Rate Commission, what changes would you recommend?

Answer. Two have been mentioned already: Simplifying the relationship with the Governors, and adding some flexibility to the mail classification procedures. One item not necessarily involving a statutory change in the Postal Rate Commission's role, is of some concern to me. In pursuing its involvement in electronic mail the Postal Service has undertaken to establish a separate entity for the purpose of guarding against cross-subsidization of the electronic mail operation from other revenues. That is a matter I believe the Postal Rate Commission should monitor very carefully.

### VI. RELATIONS WITH CONGRESS

*Question 1.* Do you agree without reservation to appear and testify before any duly authorized committee of the Congress?

Answer. Yes.

*Question 2.* What do you believe is the appropriate role of Congress in reviewing major changes in the service proposed by the Postal Service?

Answer. I believe the historic role of Congress in exercising its overview function is necessary and appropriate in consideration of changes proposed by the Postal Service.

*Question 3.* What suggestions do you have for strengthening the relationship of the Postal Rate Commission to the Congress, or do you believe that is not necessary?

Answer. I have always considered it vitally important that regulatory and administrative agencies keep the appropriate congressional committees informed of all necessary details of how their congressionally mandated activities are functioning on a continuing basis. More often than not individuals who make suggestions for improvement in Postal Service do so by sending a letter to their elected representatives in Washington. It is important that the Postal Rate Commission have some arrangement with the Congress to share those suggestions for improved service where they are are germane to Postal Rate Commission responsibilities.

### RESPONSES OF JOHN W. CRUTCHER TO POSTHEARING QUESTIONS BY SENATOR STEVENS

*Question 1.* The GAO in fall of last year issued a report on the causes of delays in the postal rate making procedure. Have you seen this report? Do you have any comment?

Answer. I have seen the report, and, while I have no firsthand knowledge of the cases it discussed, I think the GAO's effort to describe the issues and problems was thorough and impartial. The report does not take a position on whether the time ultimately needed for these cases was excessive, and I would not feel prepared to do so either. It should be possible to attack the causes of delay, however, without forming an ultimate judgment on that question.

*Question 2.* Would you object to having the Postal Rate Commission exempted from the requirement of following the Administrative Procedure Act and be allowed to establish its own rules such as the ICC in order to establish postal rates?

Answer. No. I would like to see the requirements of the APA made inapplicable to the Postal Rate Commission, as I think the Commission can be counted on to devise procedures that will safeguard due process in each case.

*Question 3.* The Postal Service recently established E–COM. Without getting into the specifics of the particular case what are your thoughts regarding the concept of the Postal Service becoming involved in electronic mail?

Answer. I am satisfied that the recommendation the Postal Rate Commission made in 1979 and 1980 sanctioning the Service's entry into the E–COM Service was well supported by the evidence and the analysis the PRC made of it. I am aware of many statements to the effect that since then the Postal Service has had some new insights and perhaps some changes in its plans for E–COM, as well as to the effect that surrounding circumstances in the communications business have changed. At this point, the most I could properly say is that I will examine all these matters with an open mind when and if they come before the Postal Rate Commission.

*Question 4.* During the recent debate over S. 898, the Telecommunications Act of 1981, Congress left the actual setting of rates for electronic mail to the Postal Rate Commission rather than the FCC. Would you care to comment on that action?

Answer. The division of responsibility described seems quite sensible at least so long as electronic mail is, like E–COM, a service whose ultimate product is a letter in hard copy form delivered through ordinary postal channnels.

*Question 5.* Do you believe that it is possible for the United States Postal Service to operate without any federal subsidy?

Answer. It think it is possible, provided that all segments of the community are fully prepared to shoulder the cost, apportioned on a pair basis. Whether this demand should be placed 100 percent on the mailing public at this time is a question of Congressional policy, rather than of possibility.

Chairman ROTH. We will now call Mr. John R. McKean who has been nominated to be a Governor of the U.S. Postal Service for the remainder of the term expiring December 8, 1986.

Mr. McKean, would you please stand and raise your right hand.

Do you solemnly swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

## TESTIMONY OF JOHN R. McKEAN, TO BE A GOVERNOR OF THE U.S. POSTAL SERVICE

Mr. MCKEAN. I do.

Chairman ROTH. Mr. McKean, we are delighted to have you here today.

Mr. McKean, is there anything you are aware of in your background which might present a conflict of interest with the duties of your office?

Mr. MCKEAN. No.

Chairman ROTH. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of a Governor in the U.S. Postal Service?

Mr. MCKEAN. No.

Chairman ROTH. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of Congress if you are confirmed?

Mr. McKEAN. I do.

Chairman ROTH. Mr. McKean, as was true in the case of the other two gentlemen before us, the staff has presented you with a number of questions which you have answered, so I have no further questions at this time, but I appreciate your being here today.

Mr. McKEAN. Thank you, Senator.

[The biography and prehearing questions of Mr. McKean follow:]

BIOGRAPHICAL AND FINANCIAL INFORMATION REQUESTED OF NOMINEES

A. BIOGRAPHICAL INFORMATION OF JOHN R. MCKEAN

*Question 1.* Name: (Include any former names used.)

Answer. John R. McKean.

*Question 2.* Address: List current residence address and mailing address.

Answer. 1596 Daily Court, San Leandro, CA 94577.

*Question 3.* Date and Place of Birth.

Answer. May 30, 1930, Evanston, Illinois.

*Question 4.* Marital Status: (Include maiden name of wife or husband's name.)

Answer. Wife's Maiden Name: Mary M. Costoglus.

*Question 5.* Names and ages of children.

Answer. John R. McKean, Jr., 22; Pamela McKean, 21; Jacqueline McKean, 12.

*Question 6.* Education: List institution(s), dates attended, degree received and date degree granted.

Answer. (a) Golden Gate University, (evenings), 1952–1954, 1970–1972, 1972–1976, Master of Business Administration, 1976; (b) University of San Francisco, 1947–1951, Bachelor of Science, 1951; (c) Saint Ignatius College Preparatory, 1943–1947, High School Diploma, 1947; (d) Corpus Christi Elementary, 1938–1943, Elementary School Diploma.

*Question 7.* Employment record: List all jobs held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

Answer. (a) Highway Transport, Inc., San Francisco, Calif., April 1948 to November 1956, Controller; (b) George Kasch, CPA, San Francisco, Calif., December 1956 to January 1973, CPA; (c) John R. McKean, CPA, San Francisco, Calif., February 1958 to January 1973, Self-Employed, Sole-Practioner; (d) John R. McKean, Accountants, A Professional Corporation, San Francisco, Calif., February 1973 to Present, President.

*Question 8.* Government Experience: List any experience in, or association with Federal, State or local governments, including any advisory, consultative, honorary or other part-time service or positions.

Answer. No services were rendered to Federal, State or Local Government subdivisions. There were no advisory, consultative, honorary or other part-time services rendered or positions held for government entities. Consulting services and financial advisory services were rendered on behalf of clients which services involved testimony before public bodies at open hearings. At all times the nominee was representing clients and not the government regulatory body.

*Question 9.* Business Relationships: List all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, or other business enterprise, educational, or other institution.

Answer. (a) Idaho Peterbilt, Inc., 2757 Federal Way, Boise, Idaho. Have been an officer and part-owner through stockholdings (approximately 25 percent) of this corporation since 1975. The corporation is an authorized dealer-distributor of Peterbilt Motors. The factory granting the dealership to the Idaho corporation is located in Newark, California and has the official corporate title of Peterbilt Motors Company. In addition to Idaho Peterbilt, Inc., the main sales corporation, there are various affiliated partnership leasing entities wherein respondent serves as a partner, combination investor and financial advisor; (b) John R. McKean Accountants, A Professional Corporation. President of the corporation and a 65 percent majority controlling shareholder. The corporation is licensed by the State Board of Accountancy. Respondent holds a Certified Public Accountant's license, No. 7019E, authorizing practice in the

State of California; (c) North Carolina Investors. Respondent serves as an investor in, and as the managing partner for, the group of investors that hold partnership interests in this entity. It is a newly formed investment partnership proposing to construct facilities for warehouse and office space rental in North Carolina. All the investors are clients of the accountancy corporation which respondent heads; (d) A & J Leasing. Respondent is a 50 percent partner in the leasing of a single tractor to an Idaho lessee.

Note: Respondent also serves as a Director for certain small closely-held corporations which are clients and not listed in the above. This functioning as a Director is limited to financial and tax consultation and duties as a Director for these entities are ministerial.

*Question 10.* Memberships: List all memberships and offices held in professional, fraternal, scholarly, civic, charitable and other organizations.

Answer. (a) California Certified Public Accountants; (b) American Institute of CPA—New York; (c) California Society of CPA—San Francisco; (d) American Accounting Association; (e) Accounting Research Association; (f) National Accounting and Finance Council.

*Question 11.* Political affiliations and activities: List all offices with a political party or any public office for which you have been a candidate. List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last 10 years.

Answer. No political or public office has been held nor has nominee presented himself as a candidate for political party or public office. Contributions have been made to the Republican party and/or local committees thereof not exceeding $1,000 in each of the three preceding years.

*Question 12.* Honors and Awards: List all scholarships, fellowships, honorary degrees, honorary society memberships, and any other special recognitions for outstanding service or achievements.

Answer. (a) Nominee received the 1980 outstanding alumnus award from Golden Gate University. Nominee was a graduate of this University and received an MBA tax degree in 1977; (b) Nominee is a member of the President's Ambassadors of University of San Francisco, an alumni organization. Nominee received a Bachelor of Science degree from the University in 1951; (c) Nominee served as the President of the Parish Council of the Greek Orthodox Church of the Ascension in Oakland, California during the period (circa) 1963 through 1967. Prior to 1963, nominee served as a Parish Council Member and Treasurer of the Parish Council; (d) During 1964, 1965, 1966, 1967 and 1968 nominee was active in an organization of Parents of Aurally handicapped children, Hearing Limited. The organization was formed to assist the faculty in responding to the special educational needs of aurally handicapped children. At various times during nominee's tenure of service, he served as President of the organization.

*Question 13.* Published Writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Answer. Treatises that have been written covered special material involved in the practice of the nominee's profession as a Certified Public Accountant. Oral presentations were made of these highly specialized reports and they have not been published for general distribution.

*Question 14.* Speeches: Provide the Committee with two copies of any formal speeches you have delivered during the last 5 years which you have written copies of and which are on topics relevant to the position for which you have been nominated.

Answer. Speeches that have been made concerned specialized tax, financial or budgetary subjects. They did not cover topics which are relevant for the position to which nomination is being currently considered.

*Question 15.* Selection: (a) Do you know why you were chosen for this nomination by the President? (b) What do you believe in your background or employment experience affirmatively qualifies you for this particular appointment?

Answer. (a) Members of the administration, namely, Mr. Michael Deaver and Mr. Edwin Meese were aware of my background and it is my understanding that my name was submitted to the President for nomination by these parties; (b) I have an extensive background in developing and analyzing financial and budgetary concepts of the transportation industry. This involves the determination of rates on behalf of Public Utility Carriers, the cost factors incident thereto, and overall advice to transportation clients in the conduct of their business affairs. Prior to obtaining the Certified Public Accountant's license and engaging

in my own private practice, I worked internally for a transportation company. In the course of this employment, my function was that of Controller for a regulated Public Utility transportation company. As a function of that employment, we were required to measure cost and service factors between points of origin and destination. In so doing, performance standards were established for various terminal locations in California. It was this pre-private practice experience that was relied upon in evolving the clientele in the Western United States that presently forms the bulk of our Professional Corporation's Certified Public Accounting practice. I would expect to employ that knowledge in an evaluation of Postal Service operations and rate setting.

B. FINANCIAL DATA

(Retained in Committee files.)

C. FUTURE EMPLOYMENT RELATIONSHIPS

*Question 1.* Will you sever all connections with your present employers, business firms, business associations or business organizations if you are confirmed by the Senate?

Answer. Respondent expects to remain as President and Officer of the Accountancy corporation. The appointment under consideration is that of a Governor of the Board of the United States Postal Service which activity is not expected to require full time service. In addition, nominee is an investor in and officer of a corporation known as Idaho Peterbilt Inc. with several related leasing entities operating out of Boise, Idaho.

The nominee has not been requested to sever business relationships with either of these two organizations in view of the part-time nature of the proposed appointment.

*Question 2.* Do you have any plans, commitments or or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, explain.

Answer. None, except as previously stated.

*Question 3.* Do you have any plans, commitments or agreements after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization?

Answer. Not applicable, see previous response.

*Question 4.* Has anybody made a commitment to employ your services in any capacity after you leave government service?

Answer. No such commitments exist.

*Question 5.* If confirmed, do you expect to serve out your full term or until the next Presidential election, whichever is applicable?

Answer. Nominee expects to serve out the full term which term has been stated to expire in 1986.

D. POTENTIAL CONFLICTS OF INTEREST

*Question 1.* Describe all financial arrangements, deferred compensation agreements, and other continuing dealings with business associates, clients or customers.

Answer. Nominee renders service to a professional corporation John R. McKean Accountants for a salary and that corporation services numerous clients that elect to engage our Certified Public Accounting Firm for services. Nominee intends to continue to practice as a Certified Public Accountant and continue to serve the needs of the clients of the firm.

*Question 2.* Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

Answer. None.

*Question 3.* Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

Answer. The nomination is that of service to the United States Postal organization and no possible conflict of interest would be created by the nomination. This information is provided to the best of the knowledge and belief of the nominee.

*Question 4.* Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation or affecting the administration and execution of law or public policy.

Answer. None.

*Question 5.* Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items. (Please provide a copy of any trust or other agreements.)

Answer. None appear but if the data herein presents anything which would require a resolution of a potential conflict of interest the nominee would consider severance of that relationship. No trust or other agreements presently exist for this purpose.

*Question 6.* Do you agree to have written opinions provided to the Committee by the General Counsel of the agency to which you are nominated and by the Attorney General's office concerning potential conflicts of interest or any other legal barriers to your serving in this position?

Answer. The Committee on Governmental Affairs of the United States Senate has the agreement of the nominee to secure written opinions obtained from General Counsel if such seem to be required.

E. LEGAL MATTERS

*Question 1.* Have you ever been disciplined or cited for a breach of ethics for unprofessional conduct by, or been the subject of a complaint to any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.

Answer. None.

*Question 2.* Have you ever been investigated, arrested, or charged or held by any Federal, State or other law enforcement authority for violation of any Federal, State, county or municipal law, regulation or ordinance, other than a minor traffic offense? If so, provide details.

Answer. No.

*Question 3.* Have you or any business of which you are or were an officer ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Answer. Nominee served as an officer of IDA Cal Freight Lines which company obtained certain certificates of public convenience and necessity from the Interstate Commerce Commission prior to 1970. Nominee presented testimony before the Interstate Commerce Commission and financial data which was intended to and did influence the Interstate Commerce Commission in the determination of the ability of Ida Cal Freight Lines to properly expand its transportation operations between California and Idaho. Ida Cal Freight Lines is no longer a client of the accounting firm or the nominee and has been sold to a publicly listed corporation in 1973. Nothing in the testimony or facts presented to the Interstate Commerce Corporation were other than in response to usual administrative proceedings. Other clients have been similarly represented but in those instances the nominee served as a consultant or advisor and was not an officer of the corporation involved.

*Question 4.* Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense?

Answer. None.

*Question 5.* Please advise the Committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.

Answer. Other than a compelling wish to participate in this phase of our government's functioning and a wholesome desire to render service in this regard the nominee can present no further matters which might assist the committee in its deliberations.

AFFIDAVIT

I, John R. McKean, do swear that the information provided in this statement is, to the best of my knowledge, true and accurate.

November 17, 1981.

JOHN R. MCKEAN,

_____,

*Notary.*

## Responses to Prehearing Questions by John R. McKean

### I. Nomination Process and Potential Conflicts

*Question 1.* Were any conditions, expressed or implied, attached to your nomination to be a Governor of the United States Postal Service?

Answer. No.

*Question 2.* What commitments have you made with respect to the policies and programs you will attempt to implement as a Member of the Board of Governors?

Answer. None.

*Question 3.* Are there any issues involving the Postal Service from which you may have to disqualify yourself? If so, please explain.

Answer. No.

*Question 4.* Did you actively seek this nomination? Explain.

Answer. No.

*Question 5.* What contribution do you feel can make to the Postal Service as a Member of the Board of Governors?

Answer. In 1951 I accepted full time employment with a regulated Public Utility Transportation Company. After a number of years my position evolved to that of Controller and Chief Financial Officer. A part of the duties of my employment required that I determine costs and measure the relationship between cost and service factors for various points of origin and destination. As a function of this, performance standards were established for various terminal locations. Since the company was a Regulated Public Utility, it was necessary to develop supporting exhibits and to testify in the process of making financial presentations to the Commission seeking authorization to deviate from the existing minimum rate structure. I believe that I have an extensive background in developing and analyzing financial and budgetary concepts of the transportation industry. This was garnered in my private employment position as well as my own accounting practice this past twenty-three years. I would seek to employ this knowledge in an evaluation of postal service operations, rate setting and performance standards.

### II. Responsibilities of the Board of Governors

*Question 1.* What is your view of the role of the Board of Governors of the Postal Service? What do you believe are its most important functions and responsibilities?

Answer. My view of the role of the Board of Governors of the Postal Service is that it should operate in a manner akin to that of a board of directors in a large publicly held corporation. A member of the Board of Governors has a fiduciary responsibility to the equity participants, in this case the general public, to see that the expenditures of the Postal Service are reasonable and that the practices and policies of the Postal Service are in conformity with the attainment of its fundamental objective. I regard this fundamental objective to be the provision of a useful and necessary service to the people of the United States. Specifically, the most important function of the Board of Governors is to direct and monitor the exercise of the executive powers of those chosen to guide the operations of the Postal Service. Although the day to day functioning of the Postal Service creates an environment in which there can be a broad delegation of this authority to the Postmaster General, a member of the Board of Governors remains charged with the responsibility to see that the practices and policies of the Postal Service are consistent with the public service nature of the department.

*Question 2.* How do you view the relationship of the Board of Governors to the Postal Service and, specifically, to the Postmaster General?

Answer. I believe that the Board of Governors by acceptance of the opportunity to serve have received the charge from the President, the Congress and the Public of full responsibility for the operation and control of the Postal Service. The Board is empowered to delegate authority to the Postmaster General but is specifically charged by statute to reserve for itself the decision as to the appointment, pay, term of service and removal of the Postmaster General. My view of that responsibility is that individually and collectively the Board must be convinced that the Postmaster General is conducting the operation of the Postal Service efficiently and, indeed, has the executive disciplines necessary to maintain day to day control over this vast public service enterprise.

*Question 3.* How do you view the relationship and responsibilities of the Board of Governors to the President, the public, and the Congress?

Answer. Members of the Board are chosen by the President subject to advise and consent proceedings by the Senate. Once a member is selected he is expected to monitor the exercise of the authority which has been vested in him as a Board member. My view of the relationship with the President and with Congress, if my appointment to the Board is favorably received, is that as a Board member I will have accepted from that point on the responsibility to see that the Public's interest is served. Specifically with respect to Congress, it is my view that the elected legislative representatives of the people retain important and significant overseer authority and responsibility in the operation of the United States Postal Service. A member of the Board of Governors is constrained to be ever mindful of the obligation that the Postal Service has to account to Congress for its function and operation.

III. POSTAL REORGANIZATION

*Question 1.* Various proposals have been made to increase the accountability of the Postal Service to the Congress including Presidential appointment of the Postmaster General or the Chairman of the Board of Governors: How do you feel about these proposals?

Answer. I have not studied the specific proposals. In general, however, I feel that if the President and Congress through the Committee on Governmental Affairs of the United States Senate are careful and deliberate in their review and selection of members of the Board of Governors then it is through that medium that they will accomplish the desired accountability of the Postal Service. I do not feel that direct appointment by the President of the Postmaster General would increase the accountability of the Postal Service. I believe this position to be an executive position requiring general executive prowess as well as specific business acumen related to transportation and postal operations. I have not formulated an opinion as to the matter of direct Presidential appointment of the Chairman of the Board of Governors. Finally, in response to this query, the purposes of the reorganization act seem to me to be to place the Postal Service in the same environment in which corporations are required to function in normal business operations. Although we grant that the Postal Service has a public service nature to its product, the closer the Postal Service can be made to function like a business the better, in my opinion, will the public interest be served.

The Postal Rate Commission is a unique regulatory agency in that it does not have final decision-making responsibility with respect to most matters brought before it. As you know, this responsibility rests with the Board of Governors of the Postal Service. Do you believe that this arrangement should be maintained? If so, why? My view is that the Postal Rate Commission has been instituted to form and present recommended decisions to the Governors on new rates and on modifications in existing rates. Because of this, and because the Postal Rate Commission has presumably heard and evaluated the views of all interested parties, the members of the Board of Governors are obliged to place heavy emphasis on the recommendations received. The ultimate responsibility for the management and operation of the United States Postal Service is, however, vested in the Board of Governors. This means there are times when a member must exercise his own individual judgment in concert with his fellow board members to reach final decisions. My, at present, outsider's view of the Postal Rate Commission is that it performs a service in allowing all interested parties to present their views. Further, the technical qualifications of the Commissioners allows the Board of Governors the benefit of their independent judgment expressed upon the various postal rate proposals. It is for the Governors to conclude whether or not these recommendations are appropriate to the attainment of a proper balance between total costs and total revenues.

Before I would express an opinion that the Postal Rate Commission is unnecessary or an inappropriate step in the rate making process I would have to be satisfied that the consumers are given an opportunity to present their views by some other mechanism. It appears to me that the Postal Rate Commission is currently that body which develops the environment in which interested parties are able to find expression of their views. As such the Commission functions in the overall public interest. If an historical record evolves, however, wherein the Postal Rate Commission's decisions are consistently being overlooked or ignored by the Board of Governors then I would be persuaded to re-evaluate the nature, function, and need for the Commission.

*Question 2.* Would you recommend any changes in the role and responsibilities of either the Postal Rate Commission or the Board of Governors?

Answer. For the reasons recited in response to Question 2 of this section, I do not believe I am in a position yet to recommend any changes in the roles and responsibilities of the Board of Governors as they relate to the Postal Rate Commission. I also feel that the act which established the Postal Service reorganization placed the full authority for efficient and economical operation of the Post Office in the Board of Governor's hands subject to delegation to the Postmaster General. In this regard I interpret the activity of the Postal Rate Commission to be advisory to the Board. Valued advice, if you will, but advice to be garnered by any good executive in the process of reaching a carefully considered business decision. Thus, before I would be in a position to recommend any changes I would like the opportunity to observe the interrelationship of the Board and the Commission and to determine if, indeed, the objectives that are stated in the act are being accomplished.

IV. POSTAL SERVICE OPERATIONS

*Question 1.* To what extent do you view the Postal Service as a public service appropriately financed out of the United States Treasury?

Answer. My bias, if such may be spoken of candidly, is that services received by the government should be in reasonable proportion to the cost incurred to provide that service. Absent this, there appears to be no other source of funding that service than by taxes or assessments. The services of a postal system for a government, a country the size of the United States are in the nature of a public utility. This public utility concept, however, does not run counter to the view that functional operations should be able to be performed within a rate schedule which finances services as such are received. It appears to me that the postal reorganization act pointed toward the eventual elimination of subsidies. I would welcome a departure from General Funds subsidies and indirect assessments of the citizenry. I would welcome a rate scale which equates to the costs incurred. A caveat nevertheless exists, the public utility nature of the postal service dictates that there must be service to all citizens of the United States. At times this may mean that those particularly advantaged may be charged at a rate not entirely consistent with the cost of the specific services which are received so that those who rely upon the Postal Service for fundamental communications and for fundamental human needs are not deprived.

V. RELATIONS WITH CONGRESS

*Question 1.* What suggestions do you have for strengthening the relationship of the Board of Governors to the Congress; or do you believe that this is not necessary?

Answer. I will not be prepared to make a recommendation as to a strengthening of the relationship with the Board of Governors and the Congress unless and until I am allowed the opportunity to witness, examine and review the relationship which presently exists. As a general observation, if the Postal Service is to receive the public's support which is necessary to accomplish its purpose, it certainly needs Congressional support. Upon attainment of a position as a member of the Board of Governors I would remain very cognizant of the vital need for a close relationship with Congress bearing in mind the momentous overseer authority which Congress has retained over the Postal Service.

*Question 2.* Do you agree without reservation to respond to any reasonable request or summons to appear and testify before any duly constituted Committee of the Congress?

Answer. I agree without reservation to respond to any reasonable request or summons which may call for my appearance and testimony before any duly constituted committee of Congress. I welcome the opportunity to present my views and qualifications to the members of the Committee on Governmental Affairs of the United States Senate.

RESPONSES OF JOHN R. MCKEAN TO POSTHEARING QUESTIONS BY SENATOR STEVENS

*Question 1.* What expertise do you believe you bring to the Board of Governors of the U.S. Postal Service that would be beneficial to the operation of the U.S.P.S.?

Answer. My initial employment after college was with a regulated public utility transportation company. After a number of years, my position evolved to that of Controller and Chief Financial Officer. I believe the function of the post office

to be essentially one of transportation of articles from one place to another. In my private employment a part of my duties was to determine costs and measure the relationship between costs and service factors for shipments from various points of origin and destination.

After private employment, I established my own accounting firm which continued to specialize in the analysis of financial and budgetary concepts of the transportation industry.

I believe that I have an extensive background in developing and analyzing financial and budgetary concepts of the transportation industry. I obtained this experience in private employment as well as my own accounting and consulting practice over this past twenty three years. I would seek to employ this knowledge in an evaluation of postal service operations, rate setting and performance standards.

*Question 2.* The question of the Postal Service's involvement in the transmission of electronic mail has been of particular interest to me and a great many other people. One of the concerns expressed by the public is the question of privacy for those using and receiving electronic mail. What would you suggest that by action and word we do to reassure the public that their privacy is being considered and protected?

Answer. I believe that there are two considerations when the consumer seeks the services of the post office to accomplish a communication function. One is performance, that is, the actual receipt by the addressee of the message intended. The other is the speed with which that message is transmitted or transported.

I do not believe that the advent of electronic mail will act to insure the former, but may facilitate the latter. Thus, the consumer would be likely to select the electronic mail medium when it wishes to communicate with great rapidity the message intended and is less concerned with confidentiality. Thus, the officials of the post office shou d emphasize by action and word, not the privacy of their message but the speed and if this is a prime consideration, obviously the consumer should be pointed in the direction of electronic mail.

*Question 3.* In the past, it has been extremely difficult, if not impossible, to obtain the views of members of the Board or the Board as a whole regarding postal issues we face in Congress. The attitude we have encountered from the Board and its members has been that Congress will do what it will do; therefore, we will not make known our views.

Now, that may be correct with regard to Congress, but that doesn't help those of us who are trying to insure that a viable universal postal system continues to function when battling amendment to eliminate postal subsidies, or to require the closing of small post offices, or the elimination of Saturday mail delivery. We need to have input not only from the Postmaster General, but from the Board of Governors as well regarding how they feel that action would affect the operation of the Postal Service.

What would you do to insure that we can more readily obtain the views of the Board members or the Board as a whole?

Answer. As a prospective member of the Board of Governors, I cannot speak for the actions or attitude of former Board members. I believe that a proprely directed member of the Board of Governors should be "trying to insure that a viable, universal postal system continues to function."

With that in mind, I believe that individual members of the Board of Governors should agree without reservation to respond to any reasonable request or summons which may call for an appearance and testimony before any duly constituted committee of Congress.

In this way, I believe Congress can be more readily assured of open comunication both with the Board as a whole and individual members.

*Question 4.* If the Board of Governors decided that it was unhappy with a Postmaster General, they have it within their power to relieve him of his position and apopint a successor. Whether officially or not, the Postmaster General is considered to be of Cabinet rank.

What criteria would you use to consider relieving a Cabinet-level individual such as the Postmaster General of his position, and what criteria would you use in selecting his replacement? Would you consult with the Administration and Congressional leaders before taking such action?

Answer. I believe that the Postmaster General, in broad terms, must have the executive disciplines necessary to maintain day-to-day control over this

enormous public service enterprise, the United States Postal Service. As a member of the Board of Governors, we should look for an individual who has the administrative and executive prowess which the position requires.

As an adjunct to this, the United States Postal Service is essentially an organization formed for the purpose of service to the people of the United States. The President of the United States is the Chief Executive Officer of our Government; the Congress is the primary legislative body established by the United States Constitution. If the purposes of the postal service are to be accomplished, support is needed of both the executive and legislative branches of our Government. It becomes obvious, therefore, if a decision as to removal or replacement of the highest executive position of the United States Postal Service, i.e., the Postmaster General, is to be made consultation is necessary with both the executive and legislative branches of our Government.

*Question 5.* There have been a number of studies regarding the pay of postal employees, suggesting that they in comparison to private industry and other federal employees are overpaid. Have you seen those studies? If so, what is your view of that contention?

Answer. Published literature indicates that postal service nonsupervisory (bargaining units) employees receive gross pay per paid hour, which is less than that of other industries, such as, autos, breweries and basic steel. These same postal service employees receive gross pay per paid hour which is in excess of that paid to employees in the banking, insurance and telephone communication industries among others.

As a member of the Board of Governors, I would emphasize the productivity of the individual receiving the pay rather than the amount of pay that is received.

As an observation, it seems to be entirely consistent with the objectives of the Postal Reorganizational Act that as an employer the postal service shall achieve and maintain compensation for its officers and employees comparable to the rates and types of compensation paid in the private sector of the economy of the United States. Employees are only overpaid when productivity does not rise in some relevant proportion to the increases in compensation. As a member of the Board of Governors, I would be most interested in the productivity level of the employees of the postal service.

*Question 6.*—Do you feel the law allowing the Postal Service to negotiate labor contracts with postal employees is appropriate?

Answer. My opinion is that Congress, when it voted the Postal Reorganization Act, provided safeguards to obtain a fair environment in which labor contracts could be negotiated with the individual bargaining units. The literature indicates that there is a fact finding process and that binding arbitration proceedings are the next step in the orderly negotiation of wage and working conditions agreements. Because of these safeguards and because the alternatives to negotiation of labor contracts by the postal service with postal employees do not appear to offer more reasonable choice then I feel that the law which allows the postal service to conduct such negotiations is proper.

*Question 7.* We have received complaints from many concerned citizens over what they view as a waste of taxpayer dollars by the Postal Service when they advertise the sale of commemorative stamps or promote stamp collecting. What is your view of the Postal Service advertising its products?

Answer. The implicit objective of the Postal Reorganization Act appears to me to place the postal service in the position of close proximity to an efficiency functioning business. As such, modified always by the public service nature of the postal service, it appears that when decisions are to be made with respect to expenditure of taxpayer's dollars, the question needs to be asked whether or not the expenditures bring in more than they pay out. For this reason, I believe that the sale of commemorative stamps is a proper function of the postal service. It requires some advertising to attract the attention of the purchaser, the philatelist. It requires some marketing of the product in order to promote stamp collecting. On the other hand, it requires no service on the part of the postal organization, and as such, appears to produce a sizable profit when compared with the monies required to promote this particular activity. For that reason, I believe that complaints received from concerned citizens should be answered in a forthright and positive manner which explains the real objective behind advertising and sale of commemorative stamps.

*Question 8.* Recently, the Board of Governors cut its capital expenditures budget in half. This has had a devastating impact on some areas of the country, particularly those high growth areas. What is your view of that action, and what effect will that have on the ability of the Postal Service to modernize and increase productivity?

Answer. I cannot speak for the Board of Governors with respect to prior actions, Particularly, I am not aware of the need or the rationale for the reduction in capital expenditures.

As a prospective member of the Board of Governors, I would like to feel that capital expenditures are made in areas of potential high growth in anticipation of the needs this growth will engender. I believe the postal service to be a highly labor intensive organization. Published statistics indicate that 85 cents of every dollar of revenue achieved is devoted to labor and labor-related costs.

For that reason, it does not appear to me to be a particularly courageous exercise of the responsibility of the Board of Governors to cut capital expenditures, when it can be demonstrated that the very capital expenditures under consideration would increase productivity.

I intend to examine this matter very carefully, if I am given the opportunity to serve as a member of the Board of Governors.

*Question 9.* The most frequent complaint received in my office regarding mail service is the lack of forwarding services for incorrectly addressed mail. This service was provided by the old Post Office Department. A great many people cite the fact that incorrect mail is not forwarded as an example of the deteriorating service provided by the U.S. Postal Service.

For whatever reasons the Postal Service does not provide this forwarding service, what would you do to better communicate those changes in postal policy to the American public?

Answer. The postal service has an obligation to foward mail in all instances. The exceptions that I see would only be instances in which there are totally illegible identification of the addressees.

*Question 10.* What do you see as the top two or three problems facing the Postal Service, and why?

First, an improvement in the Postal Services image of reliability; second, lack of a genuine program to communicate the services offered and the problems encountered in the rendering of those services; and third, the prices and rates charged are not perceived by the public to be commensurate with the services offered.

*Question 11.* What do you hope to accomplish for the mailing public as a member of the Board of Governors?

Answer. I regard the fundamental objective of the United States Postal Service to be the provision of a useful and necessary service to the people of the United States. As a member of the Board of Governors I believe that I would have a fiduciary responsibility to the equity participants in this publicly held corporation, i.e., the general public, to see that expenditures of the postal service are reasonable and that the practices and policies of the Postal Service are in conformity with the attainment of this fundamental objective.

Specifically, the most important function of the Board of Governors and myself as a prospective member thereof, would be to direct and monitor the exercise of the executive powers of those chosen to guide the operations of the Postal Service.

Should I be successful in the proper direction and monitoring of these executives then I would hope to accomplish an improvement in the image, service, and operation of the postal service with a concomitant improvement in consumer utilization of the services which are offered.

*Question 12.* The Postal Service recently expressed an interest in selling advertising space in lobbies of post offices, on exteriors of trucks and other postal vehicles, on stamp packets, and on various other postal property. Some have suggested that such action would be extremely demeaning to the Postal Service and the Federal Government.

What is your view?

Answer. The question of the Postal Service employing the art of advertising in the marketing of its products and services strikes to the very issue of whether or not the postal service is ever to achieve an appropriate balance of revenues and expenses. In other words, if, indeed, the objectives of the Postal Reorganization Act were to make the Postal Service function in a manner similar to other business enterprises then we cannot rob the service of one of the vital tools

required to achieve that objective. Advertising has its place. It can be in good taste. What is perceived as good taste in some quarters will not be considered such in others. The Postal Service will be criticized when it exceeds the boundaries of good taste in its marketing efforts. And well it should be for it is, after all, speaking not only for a business enterprise but for the entire citizenry of the United States. I believe that an extra degree of caution should be added to the marketing efforts of the Postal Service but I believe it to be fundamentally improper to eliminate this valuable and necessary business tool because of the potential, and only potential, criticism that some of its effects may adduce.

*Question 13.* It has been suggested that Postal Service employees ought to have the right to strike if they have the right to negotiate their contracts. Should postal employees have the right to strike? If they do strike, contrary to the law, what action should be taken, if any?

Answer. I would not support the right of postal employees to strike. The Postal Service Reorganization Act provides a fact finding process and an arbitration procedure. I believe a fair environment has been created in which the postal service employees can obtain suitable wages and working conditions.

*Question 14.* The General Accounting Office in the fall of last year issued a report on the causes of delays in the postal rate-making procedure. Have you seen this report? Do you have any comments?

Answer. I have not seen the study of causes of delays.

*Question 15.* Would you object to having the Postal Rate Commission exempted from the requirement of following the Administrative Procedures Act and be allowed to establish its own rules such as the ICC in order to establish postal rates?

Answer. Yes, I would have to study this exemption before I could support the change.

*Question 16.* The Postal Service has recently established E–COM. Without getting into the specifics of the particular case, what are your thoughts regarding the concept of the Postal Service becoming involved in electronic mail?

Answer. If separate facilities are maintained, I believe the postal service can function in the field of electronic mail, without securing an unfair competitive advantage that it might obtain due to the taxpayer's subsidy.

*Question 17.* During the recent debate over S. 898, the Telecommunications Act of 1981, Congress left the actual setting of rates for electronic mail to the Postal Rate Commission rather than the FCC. Would you care to comment on that action?

Answer. I agree with the action of Congress. I believe all rates including that for electronic mail should be set by the Postal Rate Commission.

*Question 18.* Do you believe that it is possible for the U.S. Postal Service to operate without any federal subsidy?

Answer. Yes, the revenues and operating expenses in certain fiscal years point to this potential accomplishment.

Chairman ROTH. The committee is in recess.

[Whereupon, at 9:45 a.m., the committee recessed, to reconvene subject to the call of the Chair.]

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